

Alameda Point Commercial Market Assessment

**Alameda Reuse and
Redevelopment Authority
April 6, 2011**

Purpose

- Provide an overview of the commercial market in the Bay Area, the East Bay, and Alameda, with a focus on non-retail markets
- Discuss implications for Alameda Point

Data Sources

- Interviewed local commercial brokers and developers
- Reviewed quarterly commercial market reports
- Reviewed Beacon Economic's Quarterly Forecast for East Bay EDA, January 2011

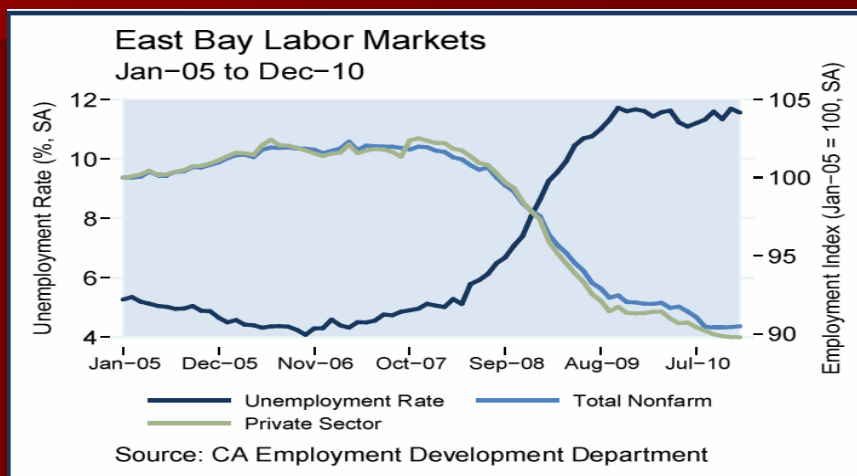
Summary of Findings

- Job growth drives office development
- Unemployment rates are high, which adversely affects market
- East Bay faces high commercial vacancies
- As second-tier market, Alameda's vacancy rates are even higher than East Bay
- East Bay and Alameda lease rates have decreased over the last several years

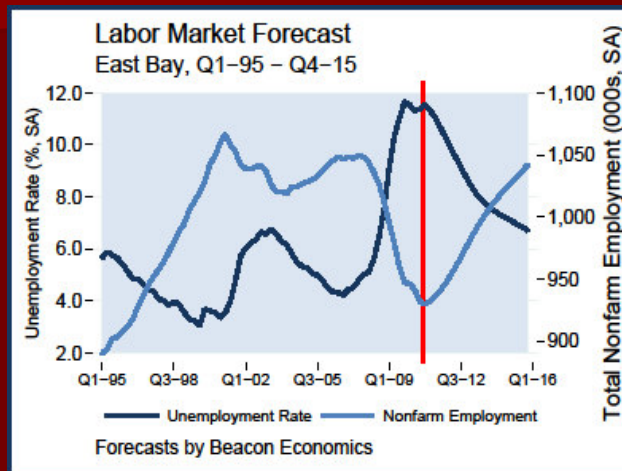
Summary of Findings (*cont.*)

- Recession has bottomed out
- Recovery will likely be a slow, steady climb, unless there is another bubble (e.g., green tech)
- Uncertain future demand for large, multi-tenant, speculative office development, especially in Alameda

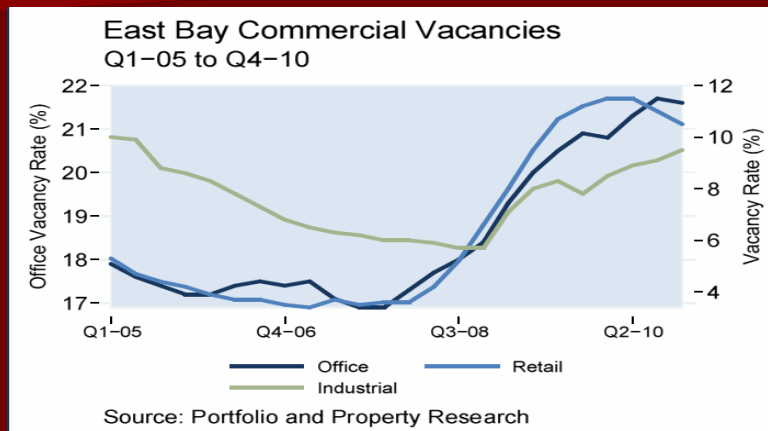
Job Growth Drives Office Demand



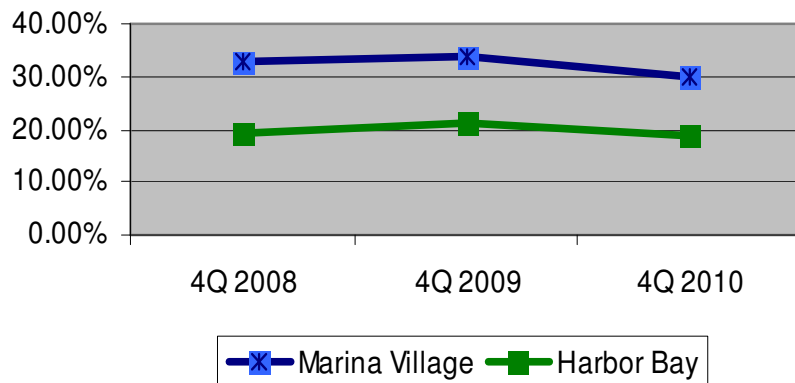
Anticipated Slow Recovery



East Bay Commercial Vacancies

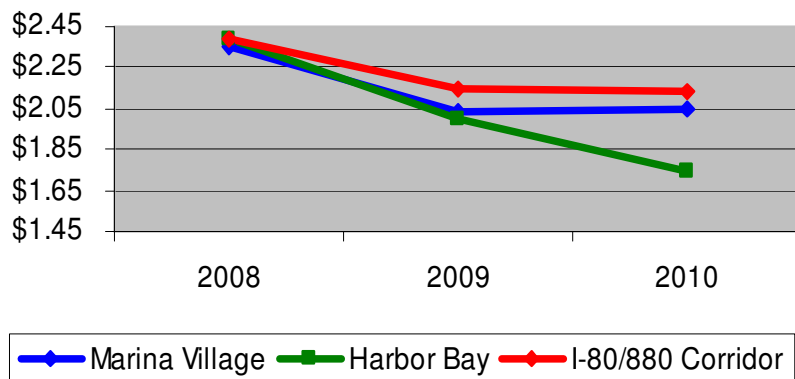


Alameda Vacancy Rates



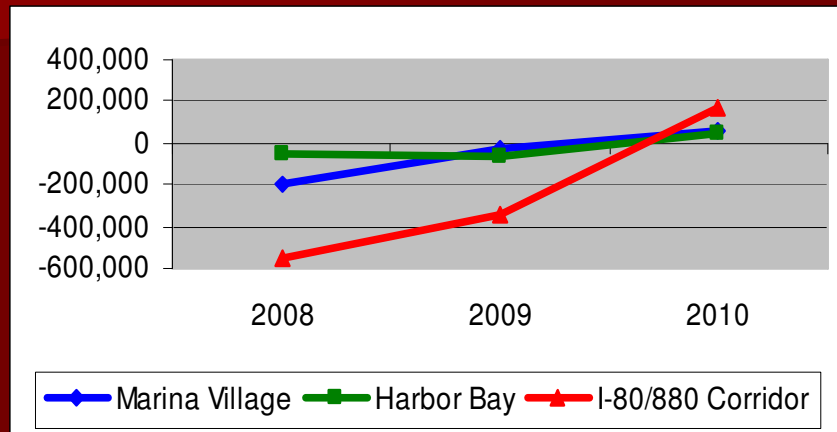
Source: Cassidy Turley/BT Commercial

East Bay Commercial Lease Rates



Source: Cassidy Turley/BT Commercial

East Bay Net Absorption



Alameda Point Advantages

- Land available for new development
- Central location in East Bay
- Beautiful waterfront setting
- Part of larger mixed-use development concept
- Local business-friendly environment

Alameda Point Disadvantages

- “Remote” location — people do not like to cross the estuary
- Long-range development horizon
- Uncertainty about obtaining financing given ownership of land
- Perception of land use and environmental restrictions

Implications for Alameda Point

- Currently not viewed as a “preferred” or “optimal” location for speculative development
- Capital markets are not there for large-scale speculative commercial development — too much risk
- Economic development strategy would need to offset perceived disadvantages and focus on:
 - Institutional users (e.g., LBNL, VA)
 - Build-to-suit commercial opportunities
 - Other untraditional users
 - Targeted “niche” attraction strategy

Implications for Alameda Point

Example: "North Loop Road" Model

- 10 to 25 acres at a time more economically viable for developers
- Build-to-suit
- Coherent, targeted marketing and development strategy

Implications for Alameda Point

Adaptive Reuse

- Many existing buildings are of low quality and declining condition
- Reuse may be possible for larger buildings and hangars
- Need for improvements, such as high dock loading, for industrial use
- Preference for improvements to be done in advance to show property in good condition

Implications for Alameda Point

Catalyst Will Spur Co-location Development

- LBNL
- Veterans Administration
- “Activity begets activity”